

Message Text

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PAGE 01 NEW DE 07301 031352Z

43

ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15 USIA-15 EB-07

COME-00 TRSE-00 AID-05 PC-05 IO-10 AGR-10 /103 W

----- 031849

R 031245Z JUN 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 9011

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

UNCLAS NEW DELHI 7301

E.O. 11652: N/A

TAGS: EGEN IN

SUBJECT: REVIVAL OF INFLATION

1. INCREASED PRICES FOR ESSENTIAL COMMODITIES, PARTICULARLY FOOD, PUSHED THE GOI WHOLESALE PRICE INDEX UP 2 PERCENT DURING THE MONTH ENDING MAY 10, APPARENTLY SIGNALLING THE END OF THE DOWNWARD PRICE TREND WHICH BEGAN LAST SEPTEMBER. ALTHOUGH IT IS TOO EARLY TO DETERMINE WHETHER THE PRESENT INCREASE IN PRICES PORTENDS A REVIVAL OF LAST YEAR'S INFLATION WHICH REACHED A RATE OF 31 PERCENT AT ONE TIME, THE GOI IS PREPARING TO TAKE ACTION TO COMBAT IT.

2. CONSCIOUS OBVIOUSLY OF THE POLITICAL CONSEQUENCES OF ANY LARGE SCALE REVIVAL OF INFLATION IN AN ELECTION YEAR, THE GOVERNMENT HAS APPOINTED A HIGH LEVEL COMMITTEE HEADED BY THE CABINET SECRETARY TO REVIEW THE PRICE SITUATION AND TO SUGGEST SUITABLE ADDITIONAL MEASURES TO CHECK INFLATION. THE PACKAGE OF PROPOSALS BEING DISCUSSED BY THE COMMITTEE REPORTEDLY INCLUDE A WAGES AND INCOMES POLICY, REDUCTION OF GOVERNMENT (PRIMARILY PLAN) EXPENDITURES, STRENGTHENING THE PUBLIC DISTRIBUTION SYSTEM FOR FOODGRAINS, AND CONTINUANCE OF RESTRICTIONS ON BANK CREDIT. BANK CREDIT

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RESTRICTIONS ENACTED TO COMBAT INFLATION LAST YEAR SEEM TO

HAVE IMPEDED INDIA'S EXPORTS AND A SEPARATE GOI COMMITTEE IS
REPORTED TO HAVE SUBMITTED A REPORT TO THE GOVERNMENT
RECOMMENDING SELECTIVE LIBERALIZATION OF BANK CREDIT FOR
EXPORT PROMOTION. THIS IS JUST ONE OF THE PROBLEMS WHICH
ARE EXPECTED TO BE HAMMERED OUT OVER THE NEXT SEVERAL DAYS AS
FINANCE AND COMMERCE MINISTRY OFFICIALS ATTEMPT TO
ARRIVE AT A NEW ANTI-INFLATIONARY PROGRAM.SCHNEIDER

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Message Attributes

Automatic Decaptioning: X
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Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
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06 JUL 2006

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TAGS: EGEN, IN
To: STATE
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